The Coming Interest Rate Collapse

OK.

Now that I have your attention, I wanted to update you for the third time on what is developing into a very powerful correlation in interest rates between the current period and 1995. If you recall my previous messages, the economic landscape in 1995 centered around the Goldilocks scenario of an engineered soft landing, much like the Fed is attempting to do today.

The last update I sent called for a sudden rise in long-term rates, which you can see in the following 2006YIELD chart:

from early October until the 23rd. Thankfully, our Stable Income and Spectrum strategies booked some very nice profits ahead of this.

1995YIELD chart above shows what occurred after that sudden rise in rates, a dramatic and powerful decline in interest rates that lasted more than 6 months. That is where I believe we are today. Long-term bond yields should decline by at least 10%, which will greatly impact our every day life if you are a borrower of money. For my "life" (meaning my clients'), this is yet another tremendous trading opportunity we initiated on October 24 by buying long-term Treasury bonds. It's been a great start!

Lastly, please keep in mind that my forecast for the Fed remains unchanged. I do not believe Bernanke and Co. will cut short-term rates until well into 2007.

If you are interested in discussing how to set up this trade or want more information in our Stable Income or Spectrum strategies, please contact me directly.

Let's all have a great trading week!

All Good Trades,

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